

VERMONT PENSION INVESTMENT COMMITTEE
April 24, 2012

VPIC Members Present:

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014

STEVEN JEFFREY, VMERS Representative, term expiring June 30, 2014

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2013 – via telephone

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2012

VPIC Member(s) Absent:

None

VPIC Alternate Members Present:

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2012

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2012

THOMAS MCCONNELL, VSTRS *Alternate*, term expiring June 30, 2013

VPIC Alternate Member(s) Absent:

THOMAS GOLONKA, VMERS *Alternate*, term expiring June 30, 2016

Also attending:

Stephen Wisloski, Vermont State Deputy Treasurer

Matt Considine, CFA, Director of Investments

Katie George, Investments Manager

Jaye Pershing Johnson, Attorney General's Office

Jeff Briggs, member of VSERS Board

Richard M. Charlton, Christopher Levell and Doug Moseley, NEPC LLC

Kier Boley, Kristin Hovencamp, and Arvin Soh, GAM

Patrick J. McGarvey, Michael Travaglini, and Andrew T. Preda, Grosvenor

Kevin Kondry and Shane Clifford, Permal

Monica Chiren, Clerk

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, April 24, 2012 meeting to order at 8:30 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

**ITEM 1: **Agenda Approval, Announcements, and Minutes of March 27, 2012
Regular Meeting****

The Chairperson, Mr. Rauh briefly reviewed the agenda. Mr. Altemus indicated he is attending the June 11th conference being put on by PIMCO. Mr. Rauh indicated anyone

attending the NEPC conference is responsible for making their own conference reservation, and to contact Matt with reference to reserving the hotel room. Mr. Johannesen indicated a desire to attend the PIMCO conference in the fall.

On a motion by Mr. Altemus, seconded by Mr. Hooper, the Committee unanimously approved the minutes of the March 27, 2012, Regular Meeting, as amended.

ITEM 2: Director of Investments Report

- **Review March Flash Report**
- **VPIC Annual Attendance & Education Reports (due 7/1)**

Mr. Considine reviewed with the Committee the Portfolio asset allocation update. Mr. Considine indicated the Portfolio asset allocations were running fairly close to the manager's targets.

Mr. Considine reviewed with the Committee the liquidation of the securities lending portfolio. It was indicated when the new contract starts with JP Morgan July 1st there will be no securities lending portfolio. It was indicated the Committee can look at securities lending with JP Morgan at the end of the year.

Mr. Considine indicated they are aware of the annual attendance and education reports, and will have them available by the due date.

(Mr. Moseley arrived during this agenda item.)

Mr. Levell reviewed the March 2012 flash report with the Committee. Mr. Levell reviewed with the Committee the performance of the three Hedge Fund-of-Funds Managers that would be presenting at today's meeting.

ITEM 3: Discussion Items/Updates

- **Contract Updates**
- **Private Equity Fund-of-Funds Contract Review**
- **Legislative Update**
- **iPad Project Update**
- **NEPC Investment Manager Watch List Update**

Ms. Johnson indicated the contract with JP Morgan should be finalized by the end of the week. Ms. Pearce indicated State Street will know what their post contract responsibilities are.

Ms. Johnson provided the Committee the private equity fund-of-funds contract updates. It was indicated all three are willing to work with the State standards for the contracts.

(Mr. Gaffney arrived during this agenda item.)

Ms. Pearce provided the Committee with the legislative update indicating it has proceeded as expected.

The Committee discussed the iPad Project. There was a discussion concerning using personal iPads for VPIC.

On a motion by Mr. Jeffrey, seconded by Mr. Johannesen, the Committee unanimously approved to postpone the iPad Project indefinitely.

Mr. Moseley indicated there were no updates to the manager watch list.

ITEM 4: Governance Committee Recommendations

Mr. Rauh indicated the Governance Committee consisted of Mr. Jeffrey, Mr. Johannesen, Ms. Johnson, Mr. Considine and himself. Mr. Rauh reviewed with the Committee the *VPIC Governance Model* and *VPIC Governance Table* documents. The Committee discussed the roles of the Treasurer's staff. Mr. Hooper inquired about the procedure if a conflict were to arise. It was decided every November or December there would be a governance review. Mr. Rauh indicated it is a work in progress and indicated if anyone had any suggestions or comments they should forward them to him.

Mr. Levell briefly previewed what to expect from the three hedge fund-of-funds manager presentations.

Since there was time, it was the consensus of the Committee to deal with the NEPC contract before the presentations.

ITEM 5: Annual Review/Discussion with Consultant

- **Approve One-Year Extension of NEPC Contract as of June 30, 2012**

Mr. Rauh indicated the NEPC contract was a four-year contract, an initial two-year term, and then two one-year extensions. Mr. Rauh indicated the initial two-year term will expire in June.

On a motion by Mr. Hooper, seconded by Mr. Altemus, the Committee unanimously approved to extend the NEPC Contract for one-year, with Ms. Pearce's friendly amendment that Mr. Levell and Mr. Moseley be named in the contract as the people assigned to the contract.

NEPC discussed their relationship with the Committee and some possible items that might be approached in the coming year. Mr. Levell indicated to the Committee what information and resources were available on their website. The Committee discussed the monthly meeting versus a two-day meeting every other month.

(A recess was taken from 10:40 a.m. to 10:50 a.m.)

ITEM 6: Hedge Fund-of-Funds Manager Presentation – GAM

(Mr. Boley, Ms. Hovencamp and Mr. Soh entered the meeting at this time.)

The presenters from GAM were introduced and welcomed to the meeting. Ms. Hovencamp provided the Committee a brief background of GAM. GAM led the Committee in a discussion concerning market changes and correlations to the portfolio. GAM responded to the questions posed by the Committee.

(Mr. Boley, Ms. Hovencamp and Mr. Soh left the meeting at this time.)

(A luncheon recess was taken from 12:05 p.m. to 1:00 p.m.)

(Ms. Paul was not present for the afternoon session.)

ITEM 7: Hedge Fund-of-Funds Manager Presentation – Grosvenor

(Mr. McGarvey, Mr. Travaglini and Mr. Preda entered the meeting at this time.)

Ms. Pearce indicated Mr. Travaglini used to be her supervisor when she worked in Massachusetts.

The presenters from Grosvenor were introduced and welcomed to the meeting. Mr. McGarvey provided the Committee a brief update on Grosvenor and a brief overview of Grosvenor. Grosvenor led the Committee in a discussion concerning the strategy of Grosvenor. Grosvenor discussed the performance of VPIC's portfolio. Grosvenor responded to the questions posed by the Committee. Mr. Charlton requested a quarterly update on how VPIC is doing relative to before and after the changes.

(Mr. McGarvey, Mr. Travaglini and Mr. Preda left the meeting at this time.)

(A recess was taken from 1:50 p.m. to 2:04 p.m.)

(Mr. Mackey, Mr. Moseley and Ms. Pearce were not present after the break. Mr. Wisloski and Mr. Briggs entered the meeting at this time.)

ITEM 8: Hedge Fund-of-Funds Manager Presentation – Permal

(Mr. Kondry and Mr. Clifford entered the meeting at this time.)

The presenters from Permal were introduced and welcomed to the meeting. Mr. Kondry provided the Committee a brief update on Permal and a brief overview of the strategy of Permal. Mr. Clifford led the Committee in a discussion concerning the investment

strategy, risk management and due diligence of Permal. The presenters from Permal responded to the questions posed by the Committee.

(Mr. Kondry and Mr. Clifford left the meeting at this time.)

(A recess was taken from 2:55 p.m. to 3:04 p.m.)

(Ms. Pearce entered the meeting after the break.)

ITEM 9: Business Item

Mr. Wisloski explained the need for an amendment to the Champlain Advisory contract.

On a motion by Mr. Jeffrey, seconded by Mr. Johannesen, the Committee unanimously approved to authorize the amendment to increase the maximum fee amount of the Champlain Advisory contract by 15%.

ITEM 10: Discussion

The Committee discussed the presentations from the three hedge fund-of-funds presenters.

ITEM 11: Economic and Financial Market Dashboard

The Committee discussed the new format of the Dashboard. Mr. Considine welcomed any suggestions or comments from the Committee. The Committee discussed the list of positive and negative factors. The Committee set its 12-month forward expectation for U.S. GDP at 2% and for CPI at 2.5%, the same as last month.

ITEM 12: Other or New Business

None.

ITEM 8: Adjournment

The Committee adjourned at 3:40 p.m.

Respectfully submitted,

Monica Chiren, Clerk